1983

Jewel Companies, Inc. Annual Report

About the Company

Jewel is a diversified retailing company doing business in 28 states.

The Company operates:

- 140 combination food drug stores
- 193 supermarkets (excluding combination stores)
- 358 drug stores (excluding combination stores).

These retail stores operate under various names in different regions of the country:

- Jewel Food Stores, Eisner Food and Agency Stores, Jewel Osco and Eisner Osco in the Midwest
- Osco Drug stores in 19 states across the country
- Buttrey Food Stores and Buttrey Osco in six Northwest states
- Star Market in New England
- Sav-On-Drug stores, primarily in California, also in Nevada and Texas.

Jewel also operates several specialty companies in food retailing and service:

- White Hen Pantry convenience food stores in Illinois, Wisconsin, Massachusetts, New Hampshire and Indiana
- Jewel T Discount Grocery stores in 7 states
- Park—a manufacturing plant producing goods for Jewel companies and for sale to other retailers.

In addition, Jewel Companies has a 36.1% equity investment in Aurrera, S.A. de C.V., Mexico's leading private sector retailer. A major contributor to Jewel's earnings in recent years, this investment provided income at a reduced level in 1982 and 1983 as a result of the sharp devaluation of the peso. Long range, however, participation in Aurrera is expected to continue as an important part of Jewel.

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Corporate Office

O'Hare Plaza
5725 N. East River Road
Chicago, Illinois 60631
Telephone: (312) 693-6000

Robert F. Berrey, Secretary
Pamela A. Jameson, Director of Investor Relations

SEC Form 10-K

Copies of the Company's Annual Report on Form 10-K (other than exhibits) as filed with the Securities and Exchange Commission may be obtained without charge upon request to Mr. Berrey or Miss Jameson at the Corporate Office.

Transfer Agent and Registrar

Manufacturers Hanover Trust Company
450 W. 33rd Street
New York, NY 10001

Stock Listing

Common Stock:
New York Stock Exchange
Midwest Stock Exchange

Series A $2.31 Cumulative Convertible Preferred Stock:
New York Stock Exchange

Shareholders of Record

Common Stock:
11,252

Series A $2.31 Cumulative Convertible Preferred Stock:
1,702

Annual Meeting

Tuesday, June 12, 1984
10:30 a.m. local time at
Harris Trust & Savings Bank
111 West Monroe Street
Chicago, Illinois

Jewel Companies, Inc.
Diversified Retailers

(In thousands except per share data)	1983	1982	Percent Change
Sales	$5,723,522	$5,571,721	2.7%
Earnings of U.S. Companies	$ 71,302	$ 64,227	11.0%
Equity in Aurrera, S.A. de C.V.	11,751	23,882	(50.8)
Net Earnings	$ 83,053	$ 88,109	(5.7)%
Net Earnings Per Common Share:			
Primary	$ 6.36	$ 6.82	(6.7)%
Fully diluted	$ 5.71	$ 6.07	(5.9)%
U.S. Earnings as a Percent of Sales	1.25%	1.15%	
Net Earnings as a Percent of Shareholders' Average Equity	13.9%	15.6%	
Dividends Declared Per Common Share	$ 2.60	$ 2.48	
Number of Shares Used for Calculating Per Share Results:			
Primary	11,672	11,624	
Fully diluted	14,539	14,505	

The Company uses the last-in, first-out (LIFO) method of inventory valuation for approximately 90% of its inventories. In certain explanatory sections of this Report first-in, first-out (FIFO) data are presented for comparison purposes.

While 1983 sales of $5,723,522,000 established a new record for the Company, consolidated net earnings of $83,053,000 were 5.7% below 1982. Net earnings per common share were $6.36 in 1983 vs. $6.82 in 1982; on a fully diluted basis the comparable numbers were $5.71 and $6.07.

United States Operations

Total U.S. sales increased 2.7% in 1983; U.S. net earnings increased 11%. Sales derived from supermarkets and from the food portion of the Company's 140 combination food/drug stores were 1.5% ahead of 1982, with only negligible price inflation in food-at-home categories. Other factors affecting sales included the lingering effects of the country's recession and, in some markets, freshly intensive competitive activity. Sales derived from the Company's drug stores and from the drug portion of the combination stores increased 10.8% over the previous year.

Earnings, however, did not follow the sales pattern for reasons which will be explained more fully in another section of this Report. Earnings in 1983 related to food sales were substantially better than in the prior year but earnings related to drug sales were only slightly ahead of 1982.

The 1983 pre-tax LIFO charge against earnings was $8,455,000 compared to $14,415,000 in 1982, again reflecting the lack of inflation in food-at-home prices and lower inflation in general merchandise.

While we are not pleased with the year's earnings, the shortfall in U.S. income compared to our plan was almost entirely related to lower than expected results at Sav-On-Drugs. Earnings from the Company's other major segments were essentially on target or better than planned. Given that the earnings weakness is isolated rather than widespread, the indication is one of a sound base of domestic businesses. It is our continued belief, furthermore, that Sav-On is a promising Jewel business; it has simply taken more time and money to effect needed and substantial change than we anticipated.

Growth In 1983

Consistent with the Company's strategies, in 1983 we invested $148 million as follows:

	% of capital invested
• For combination food/drug stores (11 new stores and 15 supermarkets converted to combo units)	37%
• For 30 new stand-alone drug stores	14
• For 29 new convenience stores	4
• To remodel stores and replace equipment	24
• For distribution, processing and manufacturing	12
• To buy land for future use	1
• For other purposes	8

Aurrera, S.A. de C.V., Mexico

While economic and related social problems continue to pose challenges for the Mexican government and its people, to date the country has been successful in dealing with its problems. Every expectation is that progress will continue to be made, though gradually, and we continue to have confidence in Mexico's return to national growth and prosperity.

Aurrera is a strong company in both its human resources and its financial position. It is being prudently managed by resourceful people. Jewel originally invested a total of $22.2 million in Aurrera for what is now 36.1% ownership of the leading private sector retailer in Mexico (and perhaps currently the number one company in that country). Though the peso is worth only about one-third its value prior to the massive devaluation which began in February 1982, our 1983 equity in Aurrera's earnings amounts to $11,751,000, in itself a reasonable return on our investment.

Our attitude is one of appreciation for past returns and optimism as to the future. Further, it is one of continued respect for Jewel's partners in Mexico and for the people of Aurrera.

Another section of this Report will describe Aurrera's 1983 results.

Changing—To Improve Productivity

Ten years ago Jewel was primarily a supermarket company heavily dependent on the Chicago area, with a sales mix of 73% from supermarkets, less than 12% from drug stores and most of the remainder coming from businesses which have since been divested. Similarly, 79% of our 1973 U.S. pre-tax income was derived from supermarkets. By contrast, 62% of our 1983 sales were in food and 32% in drug, with 49% of U.S. pre-tax income related to food and over 50% to drug. The shift is even more significant in the context that nearly 40% of the Company's food sales were from combination food/drug stores.

This transformation results from continued commitment to the Company's strategic plans outlined on pages 14 and 15.

While we have continued to invest for profitable growth, we have also taken steps to strengthen Jewel's asset and earnings base. The management of the Jewel T Discount Grocery division further consolidated that business and at year-end announced the closing of the California division (21 stores). Also at year-end we announced the decision to consolidate Eisner Food Stores, including service to Eisner's 64 Agency accounts, into the Jewel Food Stores organization. Eisner has been a well-managed business but is simply not large enough to afford the functional support needed by a decentralized business unit in today's technological and competitive environment. Further, we disposed of our unprofitable discount grocery stores in Indianapolis and sold a number of drug stores located in various Texas, Louisiana and Oklahoma markets which were losing money and no longer fit the Company's plans.

As previously reported, Mass Feeding Corporation was sold in August for an after-tax gain of $3.2 million. While MFC provided a good financial return it did not fit with Jewel's present or anticipated lines of business and we decided to invest that capital in ways more consistent with our plans for the future.

Just as we have concentrated in recent years on improving Jewel's asset base, we are challenged to concentrate on the productivity of our sales.

One of the most dramatically rising costs of doing business is that of providing medical and hospital benefits for Jewel people and their families. In 1983, health care benefits cost the Company $50 million, almost 30% greater than for the prior year. To help meet this challenge we have changed Jewel's medical and hospital protection plans; users now share a somewhat increased portion of the burden so as to provide a direct incentive for cost minimization. It is expected that the overall changes, which also include enhancement of benefits, will slow the rate of growth of this expense category while continuing to provide superior overall benefits. Communications programs throughout the Company are alerting Jewel people to ways by which health care costs can be cut without diminishing the quality of vital medical benefits.

Wages and salaries are, of course, the largest cost of doing business. Jewel has long prided itself on being a company of truly outstanding people who are paid at or above competitive levels. Wage rates for grocery stores are especially high in the Chicago area which ranks as one of the country's costliest labor markets.

The proliferation of warehouse food stores, the retail price advantages of which flow importantly from their lower wage rates, has compelled Jewel to stem the tide of rising expenses, including the elimination of many management positions and actions to reduce overhead costs. Most painful of all, many store-level people, whose wage rates had risen far beyond those of new competitors, have been asked to accept reductions in their hourly rates.

Profit Sharing

1983 was another good year for the profit sharing retirement accounts of Jewel people which in the aggregate grew by 18.1%, including the Company's contribution of $28 million. These retirement trust funds, which are wholly separate from the assets of the Company, were in excess of $685 million at 1983 year end.

Outlook

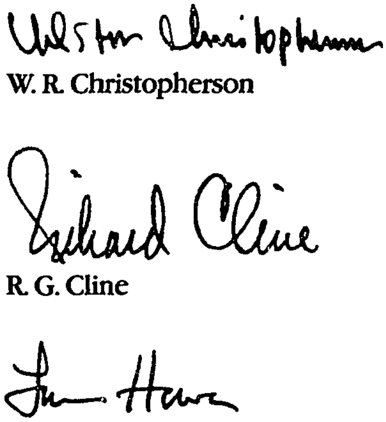
Jewel is a healthy company and the country's economy is looking much better than it did a year ago. A cloud for our Company, however, is the spread of price competition in food retailing in the form of warehouse discount stores. Our plans to meet the new competition will almost surely protect our market share and the jobs of Jewel people but at near term costs which cannot yet be measured. We are convinced that over the long pull the modern, large food/drug combination store, with broad variety, pleasant surroundings and helpful service, is a vastly more appealing store than is the warehouse type. Here and now, however, Jewel is dealing with the fact that the price operators, with the advantage of their lower wage structure, are moving into all our markets. To take a "business as usual" approach would seriously weaken the Company's long-term well-being, just as other once strong chains in many markets throughout the country have deteriorated because they ignored or underestimated new types of competition. As is their tradition, Jewel people will be working selflessly and imaginatively to produce the best possible results.

Thanks

While 1983 did not produce all the results for which we had planned, it was nevertheless a year in which Jewel people continued to demonstrate skills in the marketplace, devotion to customers and loyalty to the Company. For that we express admiration and thanks. We are constantly aware, too, of the importance of our millions of customers, to whom we express appreciation. Jewel continues to be well served by individuals and companies providing us with goods and services.

To our associates in Mexico: Les estamos muy agradecidos.

And, finally, we say thanks to the Company's shareholders for their confidence in Jewel people. It is, we believe, a trust well-founded and one which will be well rewarded in the years to come.



W. R. Christopherson

R. G. Cline

L. Howe

New Director

James B. Fisher was elected to Jewel's Board of Directors in 1983. Mr. Fisher is President of J. G. Boswell Company, a major producer, processor and merchandiser of agricultural products with headquarters in Los Angeles. Beginning in 1923 with a farming operation in the Tulare Lake Basin near Corcoran, California, the company has expanded to include the operation of large acreages in four areas of California as well as in Australia and Arizona. Its principal crops are cotton, seed alfalfa, safflower and wheat.

Mr. Fisher joined Boswell in 1958 and became its President in 1980. He represents a valuable addition to Jewel's Board of Directors.

Jewel's U.S. operations achieved record sales and earnings for the sixth consecutive year. Despite a lackluster sales climate and a generally intensive competitive environment, Jewel's supermarket companies produced pre-tax earnings well ahead of both the prior year and what we had budgeted.

Although drug stores recorded good sales gains, their pre-tax earnings were only slightly more than the prior year. Osco's earnings set another new record but Sav-On's earnings were well below 1982. This was the only significant negative factor in Jewel's year-to-year profit comparisons.

Sales and earnings of our combination food/drug stores continued to contribute favorably to the Company's results.

Our convenience stores achieved excellent earnings growth.

The new Jewel/Osco combination store shown in these pictures is located in Westchester, Illinois, a suburb of Chicago. These shoppers enjoy the full range of products and services of a modern supermarket and drug store.

Drug Stores

The combined sales of Jewel's two drug store companies, Osco Drug, Inc. and Sav-On-Drugs, exceeded $1.8 billion, 10.8% more than in 1982. Identical store sales increased 5.3%, well ahead of the estimated inflation for drug store product categories. Pre-tax drug store earnings were $61,917,000, 1.6% over the prior year. Jewel's 498 drug stores produced 50.3% of the Company's total 1983 U.S. pre-tax earnings.

In 1983, Osco achieved another year of solid earnings progress. Competitive pricing and timely merchandising produced good sales, with further gains in expense productivity also contributing importantly to earnings. Pre-tax earnings increased 19.6%, and a sales gain of 14.3% pushed annual sales over the $1 billion mark for the first time. Osco's earnings have compounded at an annual rate better than 28% in the past five years and we look for the positive earnings trend to continue in 1984.

Sav-On had a disappointing year. Pre-tax earnings were down 33.3% from 1982. Although Sav-On people made substantial progress in improving some aspects of productivity through reduced store expenses and better control of inventory levels, this was more than offset by declines in other areas. More aggressive advertising and pricing to respond to new competition and to California's economic problems lowered margins. There were start-up costs related to Sav-On's food/drug combination store program in California's San Joaquin Valley. A further impact on earnings came from costs associated with internal change—new distribution systems, shifting more of the product flow from direct and wholesale sources to Sav-On's distribution center, and merchandising changes to align product presentation and store inventories to current customer shopping preferences. While much good work was accomplished, the changes had a greater impact on the year's earnings than we had budgeted.

Sav-On's 1983 pre-tax earnings as a percentage of sales were substantially less than Osco's, reflecting not only the difficulties of the year for Sav-On but the potential for improved performance in the years ahead. We have confidence in Sav-On people and in its market position and customer reputation. As the changes begun in the last two years further take hold, we expect they will contribute significantly to earnings growth.

The prescription sales of our drug companies were again strong in 1983. We expect that new drugs and the expansion of age groups which most depend on prescriptions will continue to produce favorable prescription sales trends—a primary factor in total drug store sales growth.

Consistent with our investment strategies, the number of drug stores Jewel operates continued to grow in 1983. At year end, the number of Osco and Sav-On stores, including the drug portion of our food/drug combination stores, was 498 compared to 470 at year end 1982. Net of closings, 45 additional units are planned for 1984.

Supermarkets

The combined sales of Jewel's four supermarket companies exceeded $3.5 billion in 1983, 1.5% over 1982. Pre-tax earnings increased 28.2%.

Although there was some improvement in supermarket sales in 1983's final quarter, most of the year was characterized by a flat sales environment. Inflation in food prices was negligible and as the economy improved the initial pickup in consumer spending focused on durable goods and housing. The soft sales climate naturally led to more intense price competition.

In this environment, the earnings of Jewel's supermarket companies in the early months of 1983 were well behind 1982. As the year progressed, however, supermarkets began to produce better earnings. Helped by investment in scanning and other systems changes and by attention to cost containment and loss control, expenses increased at the lowest rate of recent years and, by reducing retail shrink, margins were moderately improved without price increases.

The most dramatically improved earnings were those of Star Market in New England. Earnings of Buttrey Food Stores in the Northwest decreased, but were showing good progress by year end. Results for Eisner Food Stores in central Illinois and Indiana improved.

In the Chicago region, Jewel Food Stores had earnings somewhat better than expected. Warehouse store competition opened new stores at a rate slower than originally anticipated. Nineteen large warehouse discount food stores have opened in the Chicago area with more to come in 1984; they have already obtained a significant share of area food sales. Jewel Food Stores people responded to this new competition by achieving higher productivity levels virtually throughout the business. Management jobs and other overhead costs were reduced. Along with these accomplishments, Jewel people excelled in their service to customers as evidenced by consumer research showing the reputation indices of Jewel stores to be at all-time high levels. This concern for the customer and for the Company's well-being is a great strength as we cope with competitive pressures.

The new discount food store operators have an advantage of substantially lower wage rates. To narrow the gap and thus improve our ability to compete, some Jewel people have been asked to accept lower compensation in 1984. Additionally, so that we can better understand discount selling, Jewel Food Stores conceived and opened a super warehouse food store in 1983 in a market outside of Chicago. This is a store which blends discount priced groceries and an extensive bulk foods department with a superior perishables offering; and through scanning, elimination of customer services and other approaches to reducing expense, it achieves low operating costs. Performance is meeting targets and we are positioned to develop stores of this type in Chicago and other areas should it become desirable to do so.

Combination Food/Drug Stores

The results of our single checkout food/drug combination stores are reported within the supermarket and drug store segments. Sales of our combination stores were $1.9 billion in 1983, an increase of 33.1% over 1982. Pre-tax earnings increased 57.5%. At year end, we were operating 140 combination units. We continue to allocate a significant portion of our new investment to combination stores. They have strong consumer appeal and excellent performance characteristics.

85 of our combination stores are in the Chicagoland area, giving Jewel and Osco a strong and distinctive position in the market. Another 44 stores are located in medium sized cities in the Northwest and Midwest under the Buttrey-Osco and Eisner-Osco names.

During 1983, 11 new combination stores were opened and 15 of our existing supermarket locations were remodeled and converted to the combination format. Three of the new units were opened by Sav-On in California's San Joaquin Valley, our first combination stores in that state. (See pictures and text on pages 12 and 13.) These California stores provide a new base for the operation and development of combination stores in coming years.

Convenience Stores

White Hen Pantry convenience stores continued to contribute importantly to Jewel's overall results in 1983. Pre-tax earnings increased 11.8% and represented over 5% of Jewel's total pre-tax income. White Hen Pantry also achieved its strongest unit growth of recent years and concluded the year with 301 stores, up 26 from year end 1982.

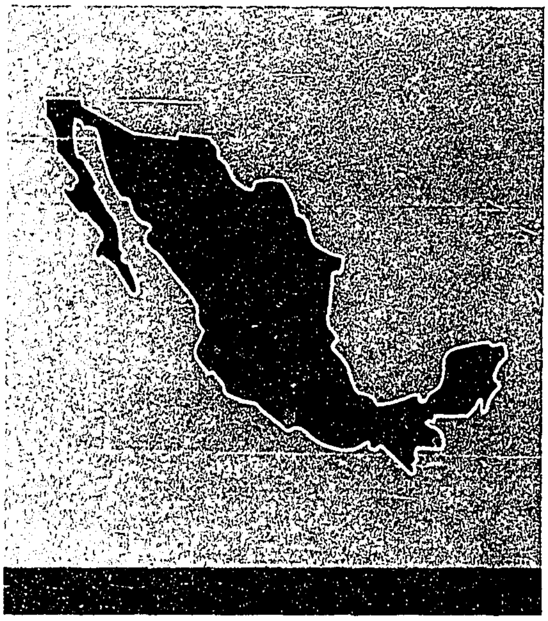
Our convenience stores are, for the most part, franchised and progress is based on the continued success of the partnership between White Hen and its independent owner-operators. Thus we are pleased to report that the 1983 earnings of White Hen Pantry's franchisees averaged $45,000 compared to $38,400 in 1982.

Jewel T

The Jewel T Discount Grocery chain concluded 1983 with 132 stores in operation compared to 140 at year end 1982. Shortly after year end, operations were discontinued in California where 21 stores and the warehouse serving them were closed. Jewel T's 1983 pre-tax losses, which included substantial expenses for this and other consolidation of its operations, were $4,124,000, a modest reduction from the losses of 1982.

Manufacturing

Jewel's manufacturing activities include plants which process and package a variety of food products including milk, ice cream, bread and rolls, carbonated beverages, salads, pizza, processed meats and ice. We operate two egg farms which produced 15.5 million dozen eggs last year. Our two photo processing laboratories develop and print pictures for Osco Drug customers. We manufacture a substantial portion of the paper bags used in our supermarkets. Additionally, our Park Corporation produces high quality private label packaged grocery products for sale to other Jewel companies, other retailers and the institutional food service market. Products manufactured and processed by Jewel accounted for $401 million of Jewel sales in 1983. Earnings from these activities increased over 1982.



Jewel continues to own 36.1% of the stock of Aurrera, S.A. de C.V., Mexico's leading private sector retailer, which operates food and general merchandise discount stores, family apparel stores and restaurants. However, for the second consecutive year Jewel's equity in Aurrera's peso earnings was translated into U.S. dollars at a much lower rate of exchange. As a result, Jewel's equity for the year was $11,751,000 compared to $23,882,000 in 1982 and $31,954,000 in 1981.

Aurrera's businesses in 1983 did reasonably well considering that consumer spending was seriously impaired by the country's austerity programs instituted to meet its continuing economic crisis. For the 12 months ended December 1983 Aurrera's earnings in pesos exceeded the same period in the prior year by 28.3% on a 72.1% gain in sales. The effective rate of translation for the peso for the year declined to .65 cents (U.S.) from 1982's effective rate of 1.58 cents.

Aurrera's financial condition remains excellent with substantial cash reserves and no long-term debt. The company continued to grow in 1983, although on a prudently modest scale.

- Two food and general merchandise discount stores were opened in Mexico City in 1983. The chain now operates a total of 56 discount supermarkets and combination food and general merchandise self-service discount stores, 48 of which are located in Mexico City. The stores have a combined sales area of over 2.5 million square feet.
- The Suburbia fashion apparel store chain added one new unit in Mexico City. With two units in Guadalajara, there are currently 11 Suburbia units in operation with over 700,000 square feet of sales area.
- Aurrera's restaurant chain ended the year with 65 family restaurants operating under the VIPS and El Porton names, three specialty restaurants, five ice cream shops and three franchised units.

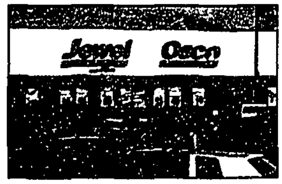
As shown on the accompanying map, Aurrera operations are now conducted in Acapulco, Cuernavaca, Guadalajara, Mexico City, Monterrey, Puebla and Toluca.

We are confident that in 1984 Aurrera's capable management team will continue to optimize the company's results under circumstances which almost surely will continue to be challenging. Under the programs announced by the Mexican government, a further decline in the value of the peso against the U.S. dollar may be anticipated which will once again offset to some extent the peso level earnings increases planned by Aurrera.

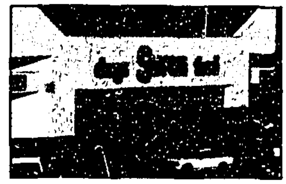
Combination Stores 140

Buttrey/Osco
7 Idaho
1 Minnesota
9 Montana
4 North Dakota
6 Washington
7 Wyoming

Eisner/Osco
9 Illinois
1 Indiana

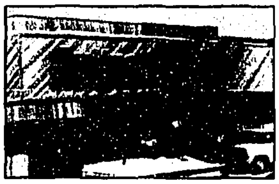


Jewel/Osco
83 Illinois
4 Indiana
1 Iowa
5 Michigan



Sav-On
3 California

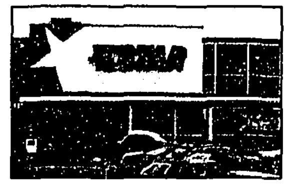
Supermarkets 193



Buttrey
3 Idaho
19 Montana
1 Washington

Eisner
11 Illinois
4 Indiana

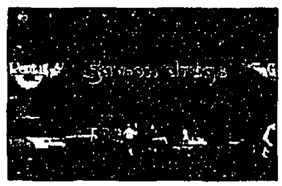
Jewel
99 Illinois
4 Indiana
1 Iowa
1 Michigan



Star
36 Massachusetts
2 New Hampshire
12 Rhode Island

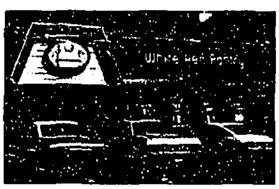
Drug Stores 358

Osco
7 Arkansas
1 Idaho
65 Illinois
30 Indiana
13 Iowa
2 Kentucky
1 Maine
29 Massachusetts
3 Minnesota
5 Montana
4 Nebraska
8 New Hampshire
3 North Dakota
4 South Dakota
1 Vermont
9 Wisconsin



Sav-On
157 California
5 Nevada
11 Texas

Convenience Stores 301



White Hen Pantry
216 Illinois
15 Indiana
47 Massachusetts
1 New Hampshire
22 Wisconsin

Discount Stores 132

Jewel T
21 California
2 Delaware
44 Florida
3 Georgia
7 New Jersey
27 Pennsylvania
28 Texas

		Beginning of Year	Opened	Closed	Converted to Combination	End of Year	Sq. Ft. (in thousands)	Affiliated Stores
Combination Stores: Buttrey/Osco	1983	33	1	0	0	34	1,502	
	1984 Plan	34	1	0	1	36	1,610	
Eisner/Osco	1983	9	1	0	0	10	470	
	1984 Plan	10	1	0	3	14	671	
Jewel/Osco	1983	72	6	0	15	93	5,004	
	1984 Plan	93	10	1	8	110	5,884	
Sav-On	1983	0	3	0	0	3	153	
	1984 Plan	3	4	0	0	7	338	
Drug Stores: Osco	1983	182	22	4	(15)	185	3,377	
	1984 Plan	185	27	7	(12)	193	3,488	
Sav-On	1983	174	11	12	0	173	4,731	
	1984 Plan	173	12	2	0	183	4,932	
Supermarkets: Buttrey	1983	25	0	2	0	23	556	
	1984 Plan	23	0	0	(1)	22	522	
Eisner	1983	25	1	11	0	15	377	64
	1984 Plan	15	0	0	(3)	12	289	64
Jewel	1983	132	0	12	(15)	105	3,259	
	1984 Plan	105	0	4	(8)	93	2,893	
Star	1983	52	1	3	0	50	1,580	51
	1984 Plan	50	0	6	0	44	1,421	75
Convenience Stores: White Hen Pantry	1983	275	29	3	0	301	754	
	1984 Plan	301	35	6	0	330	825	
Discount Food Stores: Jewel T	1983	140	0	8	0	132	1,319	
	1984 Plan	132	0	34	0	98	975	

Jewel Companies and Presidents

Buttrey Food Stores
601 Sixth Street, S.W.
Great Falls, Montana 59404
Ronald J. Floto

Jewel Food Stores
1955 West North Avenue
Melrose Park, Illinois 60160
James H. Henson

Jewel T Discount Grocery
511 Lake Zurich Road
Barrington, Illinois 60010
Ronald D. Peterson

Osco Drug, Inc.
1818 Swift Drive
Oak Brook, Illinois 60521
Richard E. George

The Park Corporation
511 Lake Zurich Road
Barrington, Illinois 60010
Arthur T. Dalton

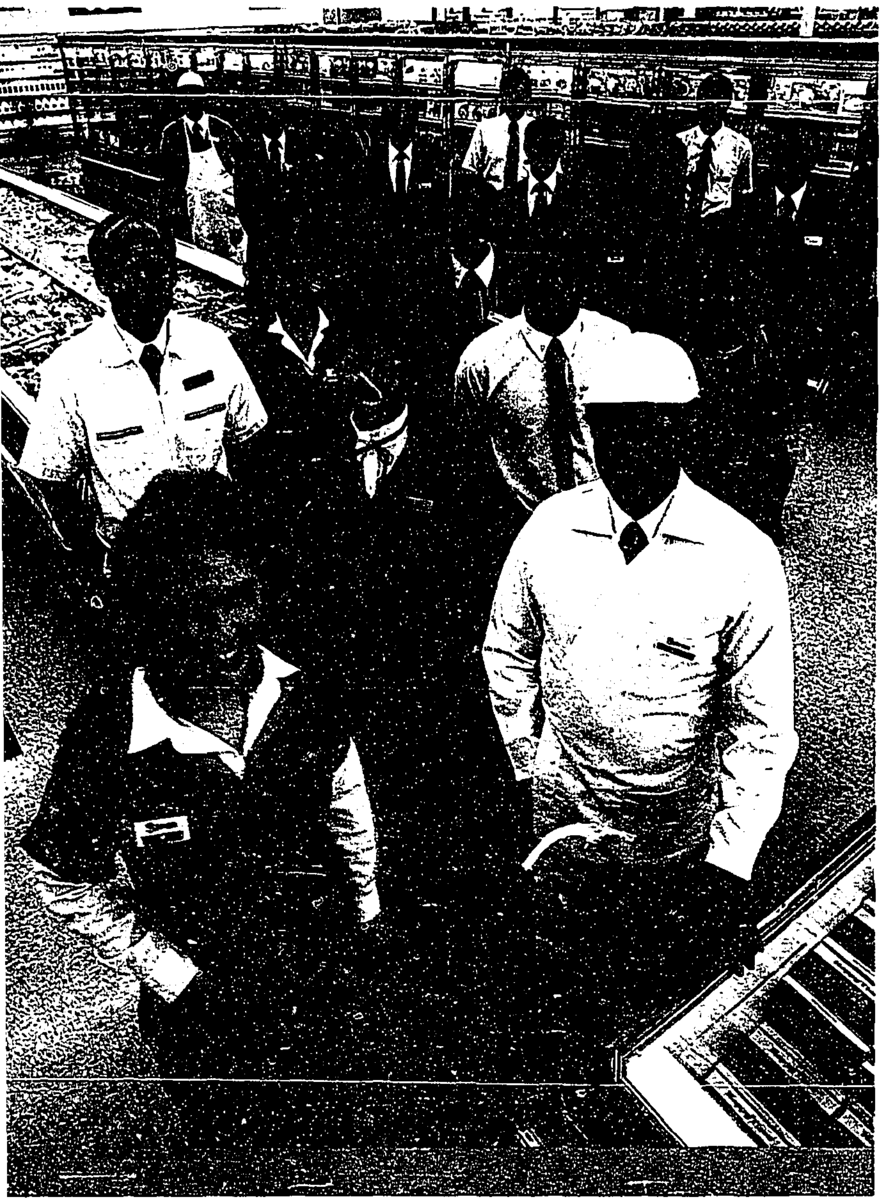
Sav-On-Drugs, Inc.
1500 S. Anaheim Blvd.
Anaheim, California 92805
Samuel J. Parker

Star Market Company
625 Mt. Auburn Street
Cambridge, Massachusetts 02138
W. Bruce Krueger

White Hen Pantry
666 Industrial Drive
Elmhurst, Illinois 60126
Robert G. Robertson

A New Venture For Jewel People

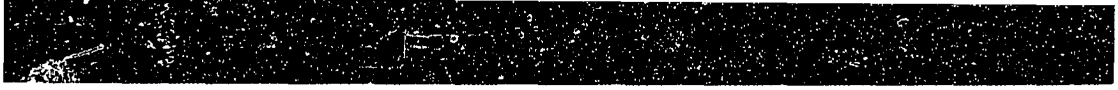
Some of the management people drawn from Sav-On and other Jewel companies for the new Sav-On combination stores are shown here. Of those in this picture, seven came from Jewel Food Stores, four from Eisner Food Stores, two from Star Market, one from Osco Drug and three from other assignments in Sav-On-Drugs.



A significant event for Jewel in 1983 was the opening of its first combination food/drug stores in California's San Joaquin Valley. These 47,000 square foot stores under the name and management of Sav-On-Drugs combine an attractive variety of food and general merchandise products under one roof and introduce the one-stop shopping concept to the San Joaquin Valley.

The San Joaquin Valley is one of the richest agricultural centers in the world and one of the fastest growing population areas in the United States. The opening of Sav-On's new stores there represents an entirely new market thrust for Jewel. Three stores were opened in 1983, one each in Merced, Porterville and Fresno. A number of additional stores are planned in the Valley for 1984 and beyond.

Behind the commitment to undertake what will become, over several years, a significant allocation of Jewel capital to a new area was a major up-front investment of people to come from throughout the Jewel companies. A critical need was to bring into the project people who knew how to operate combination stores and whose experiences covered in depth the varied functional expertise needed for food and drug merchandise components. Accordingly, about 40 management people, primarily from Jewel's supermarket divisions, have been transferred to Sav-On. Outstanding people with expertise in drug operations and merchandising were, of course, available within Sav-On; to round out the staffing needs, some 575 people were hired in the local communities.



All in all, the field and store management teams for the Fresno, Merced and Porterville stores have been filled with talented people. On the opposite page are pictured a number of the people in these exciting new stores, showing the parts of Jewel from which they were drawn. The members of this management team have an average age of 33 and an average Jewel experience of 12 years.

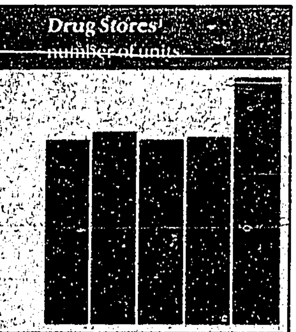
The new Sav-On combination food/drug store in Porterville, California was opened in December 1983.

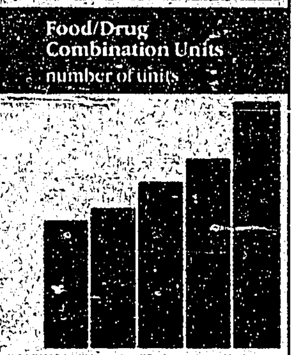
The availability of qualified individuals with the talent and background to step into the management positions created with the opening of Sav-On's new stores is a direct result of the people development programs Jewel has followed for many years. These programs start with a strong commitment to promotion from within for all employees at whatever level. In addition, the Company for decades has had an active college recruitment program to provide outstanding entry-level management talent. Today we recruit management trainees for our various companies at approximately 150 four-year colleges and universities concentrated in the market areas we serve. Special efforts are made in the recruitment of minority trainees as part of our commitment to the attraction of talented minorities and women.

Once hired by Jewel, management trainees are provided with numerous opportunities for growth and development, beginning usually with store operating positions and going on to other opportunities to learn all aspects of retail business management.

Sav-On's new stores have been well received in the San Joaquin Valley as have Jewel people moving there from across the country.

Jewel's Strategic Plans





¹excluding combination format

A fresh assessment of the Company and its environment has led us to reaffirm Jewel's strategic course for the balance of the 1980's. Before describing Jewel's strategies and three-year capital investment plans, we will share with you our current assessment of Jewel's strengths and challenges.

Jewel's Strengths

Jewel's future direction is based on a set of strengths which give us conviction that aggressive growth plans are achievable:

- Under four names, the Company operates excellent full-service, high volume supermarkets in 13 states.
- Under two names and in 22 states, Jewel operates what combined is one of the highest volume chains of drug stores in the country.
- 140 of these supermarkets and drug stores are in the form of large, productive combination food/drug stores. Jewel pioneered this store type.
- In five states, White Hen Pantry is a highly successful and growing chain of franchised convenience food stores.
- The Company has for decades had in place recruitment, human development and incentive programs that continue to earn for it recognition as a retailer with enviable people strengths.
- Jewel people excel at operating a variety of retail store types in diverse geography and demographics.
- In its major markets the Company has earned strong market share.
- Our retail stores are supported by modern procurement, distribution, management information and control systems and by a variety of manufacturing and processing plants.
- We have strong and broad real estate and property development capabilities.
- Jewel has earned and works hard to protect a reputation for honesty, fairness and decency in all its relationships.
- The Company has a strong balance sheet with unused debt capacity.
- Jewel has had several investments in retailing abroad and currently enjoys a partnership with Mexico's most outstanding retailer.

Jewel's Challenges

In recent years Jewel people have eliminated several operations which had been producing inadequate returns or, for one reason or another, did not fit our strategies. We also made a major acquisition in 1980, Sav-On-Drugs, which squarely met several of our strategic objectives. In the aggregate these moves, while not completely painless, have helped us to improve the Company's financial ratios while importantly diversifying its mix of businesses and its geography.

But we have plenty of remaining challenges:

- We will be a less vulnerable, healthier company when we gain additional geographic spread, whether in population growth areas or in already densely populated regions in which Jewel is not represented.
- Ownership in Jewel will be a more attractive investment, we know, when our business mix further shifts to less mature forms of retailing—not only through continued expansion of drug stores, convenience food stores and combination food/drug stores but through acquisitions in one or more of those sectors as well as in additional sectors of retailing.
- And we still operate some marginally productive assets which have to be corrected.

The Jewel Strategies

The Company believes that shareholder value will be best served by continued execution of the strategic plan which has been in place for the past several years:

- Shifting the Company's sales mix toward those businesses and store types which strengthen net margins.
- Concentrating on retailing concepts which have substantial growth prospects.
- Continuing to diversify geographically.
- Continuing to improve or prune out marginal assets.
- Pursuing productivity gains in both human resources and technological achievements.

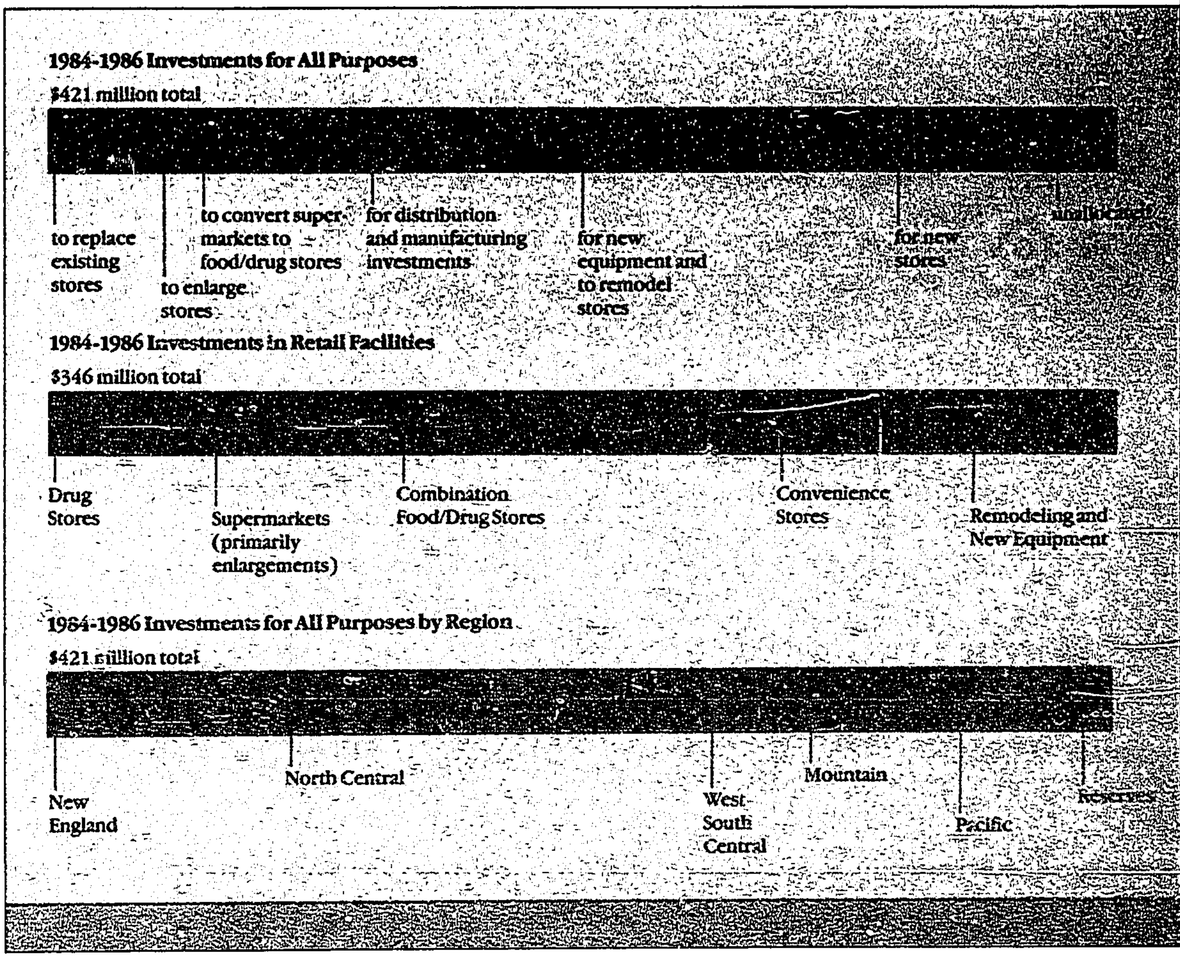
1984-86 Capital Investment Plan

It is the Company's plan to invest $421 million in the 1984-86 time frame in currently existing operations. The money is allocated as depicted in the accompanying bar charts. Additional comments which reflect our three-year plans are these:

- 67 new combination food/drug stores will be opened, bringing to 207 the total number of such units in operation by the end of 1986. And, in that year, it is expected that about 42% of Jewel's U.S. earnings (on the base of currently existing operations) will be derived from combination stores.
- 91 new solo drug stores will be opened by Osco and Sav-On. By the end of 1986, including the effect of planned closings and conversions, we will be operating 423 solo drug stores (not including the drug portion of combination stores), producing approximately 32% of U.S. earnings.
- The plan calls for the addition of 120 new convenience food stores so that (after planned closings) there will be 409 White Hen Pantry units in operation by the end of 1986.
- We continue to place high priority on remodeling stores, replacing worn-out or obsolete equipment, and investing in technological enhancements aimed at productivity and better service to customers.
- While the Company is not planning new traditional supermarkets we have 193 such stores in operation today producing about 20% of 1983 U.S. earnings. These are important stores and we will continue to invest substantial dollars to keep them in excellent condition.
- The plan includes a total of 263 new stores of all types, 15 enlargements, and 16 conventional food stores converted to combination food/drug units.
- The plan will be financed with internally generated funds and Real Estate Affiliate borrowings.

Acquisition Interests

Since the Company's strategic goals cannot in our view be adequately met by internal growth alone, acquisitions are high on our list of things to do and we are in the process of stepping up our activities toward this end. Companies in which we are interested are primarily those which would add new geography and/or which would further add to the breadth of Jewel's mix of businesses. Believing, however, that opportunism is a big factor in making acquisitions, we are receptive to a wide range of possibilities.



Management's Responsibility for Financial Reporting

Management is responsible for the preparation of the Company's consolidated financial statements, including the related notes. The statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances, and necessarily include some amounts that are based on management's best estimates and judgments.

The Company maintains a system of internal accounting controls designed to provide reasonable assurance at reasonable cost that Company assets are adequately protected, transactions are executed in accordance with management's authorization and financial records are reliable as a basis for preparation of financial statements. The system of controls includes careful selection and training of financial management personnel, delegation of authority and division of responsibility, dissemination of formal accounting and business policies, and an internal audit program to monitor the effectiveness of the control system. While there are limits inherent in all systems of internal accounting control based on the recognition that the cost of such systems should not exceed the benefits to be derived, management believes the Company's system provides this appropriate balance.

The Company has distributed to key employees its policies for conducting business affairs. Management believes that the policies and procedures provide reasonable assurance that its operations are transacted in conformity with the law and consistent with high ethical standards.

The Company's financial statements have been examined by Touche Ross & Co., independent certified public accountants. Their examination was made in accordance with generally accepted auditing standards and included a review of the internal accounting control systems. At regular times during the year, the Company's internal and external auditors meet privately with the Chairman of the Board and the President to review their audit work, the Company's internal controls and financial reporting matters.

The Board of Directors, acting through its Audit Committee comprised solely of outside directors, oversees the fulfillment by management of its responsibilities in the preparation of financial statements and financial control of operations. The Audit Committee recommends the selection of the Company's independent public accountants. In 1983, the Committee met three times and reviewed the scope, timing and cost of the Company's internal and external audit programs as well as the results of audit examinations completed by the Company's internal and external auditors. The Company's independent public accountants and internal audit department have full and free access to the Audit Committee.

W. R. Christopherson
Chairman of the Board and Chief Executive Officer

L. Howe
Vice Chairman and Chief Financial Officer

Report of Independent Certified Public Accountants

To the Shareholders and Board of Directors,
Jewel Companies, Inc.

We have examined the consolidated statements of financial position of Jewel Companies, Inc. as of January 28, 1984 and January 29, 1983 and the related statements of earnings, retained earnings and changes in financial position for each of the three fiscal years in the period ended January 28, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have not examined the financial statements of Aurrera, S.A. de C.V., a Mexican company in which Jewel has a 36.1% interest at January 28, 1984. The consolidated financial statements of Aurrera, S.A. de C.V. for the eleven months ended June 30, 1983 and two years ended July 31, 1982 were examined by other independent auditors whose unqualified report thereon has been furnished to us.

In our opinion, which as to amounts with respect to Aurrera, S.A. de C.V. for each of the periods discussed above is based on the report of other independent auditors described above, the financial statements referred to above present fairly the consolidated financial position of Jewel Companies, Inc. as of January 28, 1984 and January 29, 1983, and the results of its operations and the changes in its financial position for each of the three years in the period ended January 28, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.
Chicago, Illinois
March 17, 1984

Management's Analysis of Earnings and Financial Condition

The following is an analysis of the major factors contributing to the change in primary earnings per share for 1983 compared to 1982 and 1982 compared to 1981:

	Increase (Decrease) 1983 vs. 1982	1982 vs. 1981
Earnings from U.S. operations:		
Drug stores	$ .04	$ .66
Supermarkets	.57	.02
Other operations	(.09)	.19
Unallocated—net	.24	04
Total	.76	.91
Gain on sale of Aurrera stock	—	(1.53)
Effective income tax rate	05	.04
Tax credits	(.20)	.11
U S. earnings	.61	(.47)
Equity in Aurrera	(1.04)	(.70)
Increase in common shares outstanding	(03)	(.04)
Decrease in earnings per common share	$ (.46)	$(1.21)

1983 Compared to 1982

Consolidated net earnings for the 1983 fiscal year ended January 28, 1984 were $6.36 per common share compared to consolidated net earnings for the prior year of $6.82 per common share. Although earnings from U.S. operations were $.61 per share higher than in 1982, these improved results were more than offset by a $1.04 per share reduction in the earnings from Jewel's equity investment in Aurrera, S.A. de C.V. (Mexico). An increase in the average number of common shares outstanding during the year also decreased net earnings $.03 per share.

Total sales for the 1983 fiscal year increased 2.7% over the 1982 fiscal year. Sales in identical units were 1.5% higher than in 1982. The increase in 1983 includes an indeterminable effect of inflation.

Earnings of the Company's drug stores were slightly ahead of the prior year and contributed an additional $.04 per share to net earnings. Osco Drug had a sales gain for the year of 14.3% and its pre-tax earnings increased 19.6%. The pre-tax earnings of Sav-On-Drugs were 33.3% below 1982 on sales which increased 6.7% over the prior year. The decrease in Sav-On's pre-tax earnings was the result of lower gross margins, start-up expenses in the new food-drug store program in the San Joaquin Valley, and costs related to the installation of new merchandising and distribution systems. 50.3% of the Company's pre-tax earnings were from drug stores.

Combined pre-tax earnings of the Company's supermarkets increased 28.2% and contributed an additional $.57 per share to net earnings. Although Buttrey Food Stores had a strong fourth quarter, its full year results were below 1982, while Eisner was well ahead of its depressed 1982 earnings level. Star Market's pre-tax earnings were more than double its 1982 level and Jewel Food Stores showed a good increase despite the entry of additional discount food competition in the Chicagoland market. The impact of the new discount food competition which has entered the Chicago market was clearly felt in 1983 but only in those areas in which competitive stores were located; in 1984 a more noticeable effect is expected as these stores proliferate and influence more of the market. Jewel Food Stores has stepped up its cost control and productivity efforts, including the elimination of many management positions and a general reduction of overhead administration costs. Most store-level employees of Jewel Food Stores have been asked to accept reductions in wages which are intended to narrow the gap between Jewel wages and those paid by the discount store competition.

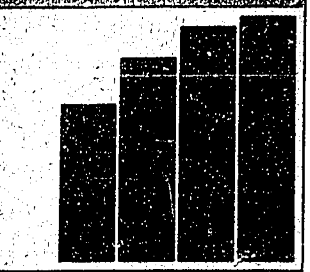
Earnings of the Company's other businesses were down compared to 1982 and decreased net earnings $.09 per share. White Hen Pantry had increased pre-tax earnings of 11.8% and the Jewel T Discount Grocery store network had a slightly smaller loss in 1983 than in 1982. The earnings of Park manufacturing were below 1982 levels. The decrease in earnings from the Company's other operations also reflects a reduced earnings contribution from Mass Feeding Corporation which was sold in the 1983 second quarter.

Unallocated general corporate expenses and miscellaneous income increased 1983 earnings $.24 per share. The increase in 1983 includes a $.27 per share gain from the sale of Mass Feeding Corporation.

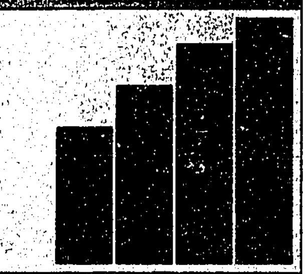
Lower tax credits decreased net earnings $.20 per share, reflecting a lower investment tax credit rate in 1983.

The 1983 results of Aurrera, S.A. de C.V., Mexico's leading private sector retailer in which Jewel has a 36.1% interest, reflected the reduced level of economic activity and lower consumer spending in Mexico. Aurrera sales during Jewel's fiscal year increased 72.1%, which was below the country's rate of inflation. With the effective rate of translation for the peso decreasing from 1.58 cents in 1982 to .65 cents in 1983, Jewel's earnings from its equity investment in Aurrera were 50.8% below the 1982 level and this reduced Jewel's net earnings by $1.04 per share in 1983.

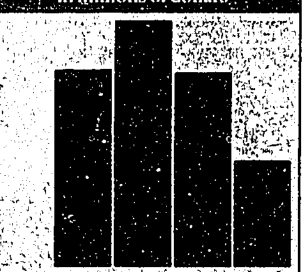
U.S. Sales
in billions of dollars



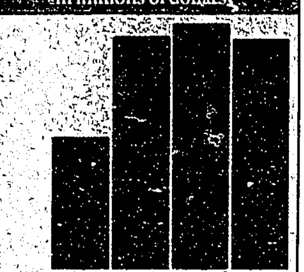
U.S. Net Earnings[1]
in millions of dollars



Equity in
Aurrera Earnings
in millions of dollars



Net Earnings—
Consolidated[2]
in millions of dollars



Earnings Per Share
in dollars

[1]Continuing operations
[2]Excludes gain on
Aurrera stock sale

1982 Compared to 1981

Consolidated net earnings for the 1982 fiscal year ended January 29, 1983 were $6.82 per common share. This compares to consolidated net earnings in 1981 of $6.50 per common share (excluding a gain of $1.53 per share from the sale of shares of Aurrera in 1981). The improved results were achieved despite a substantially reduced equity in the earnings of Aurrera, S.A. de C.V. (Mexico).

Total sales for the 1982 fiscal year increased 9.1% over the 1981 fiscal year. Sales in identical store units were 5.6% higher than in 1981. The increase in 1982 includes an indeterminable effect of inflation.

Earnings from U.S. operations in fiscal 1982 contributed an additional $.91 per share to net earnings (excluding the gain from the sale of shares of Aurrera in 1981). Earnings of the Company's drug stores were ahead of the prior year and contributed an additional $.66 per share to net earnings. Osco had a sales gain for the year of 16.0% and its pre-tax earnings increased 48.5%. Sav-On had a pre-tax earnings gain of 12.6% on sales which increased 13.1% over the prior year. 57.8% of the Company's pre-tax earnings were from drug stores.

The combined earnings of the Company's four supermarket chains contributed an additional $.02 per share to net earnings. Jewel Food Stores showed a 33.6% increase in pre-tax earnings, partly as a result of a major competitor having withdrawn from the Chicagoland market. However, the results of Buttrey Food Stores and Eisner were substantially below 1981 in each case as a result of depressed economic conditions causing food retailers in their respective market areas to seek more business through aggressive pricing. Star Market showed improvement over its 1981 results.

Earnings of the Company's other businesses were up compared to 1981 and contributed an additional $.19 per share to net earnings. The net after-tax losses of Jewel T were $.17 per share in 1982 compared to $.24 per share in 1981. White Hen Pantry, Mass Feeding Corporation and Park manufacturing exceeded their prior year's earnings by 19.3%, 11.2% and 36.3%, respectively.

Unallocated general corporate expenses and miscellaneous income increased 1982 earnings $.04 per share. The increase in 1982 includes the proceeds of a one time sale of option rights related to the stock of another company, partially offset by higher general corporate expenses.

Higher tax credits contributed an additional $.11 per share to net earnings, reflecting increased construction activity.

Aurrera, S.A. de C.V., Mexico's leading private sector retailer in which Jewel has a 36.1% interest, performed well in 1982, with each of its businesses achieving substantial growth in the highly inflationary Mexican economy. Aurrera sales during Jewel's fiscal year increased 61.6%. However, with the annual average effective rate of translation for the peso decreasing from 4.04 cents in 1981 to 1.58 cents in 1982, Jewel's earnings from its equity investment in Aurrera were 25.3% below the 1981 level and this reduced Jewel's net earnings by $.70 per share in 1982.

An increase in the average number of common shares outstanding during the year decreased net earnings $.04 per share in 1982.

Review of Financial Condition and Financial Policies

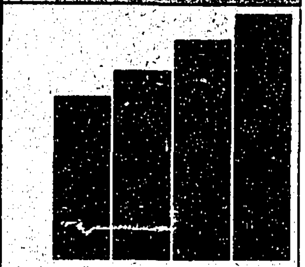
Working Capital

The Company's working capital was $117,146,000 at January 28, 1984 compared with $132,586,000 at January 29, 1983 and $147,526,000 at January 30, 1982. The working capital at these dates reflects LIFO inventory reserves of $63,605,000, $55,150,000 and $40,735,000, respectively. The Company's current ratio was 1.2 on a LIFO basis at January 28, 1984 compared with 1.3 at January 29, 1983 and 1.4 at January 30, 1982. On a FIFO basis the Company's current ratio was 1.4 at January 28, 1984 compared with 1.4 at January 29, 1983 and 1.5 at January 30, 1982.

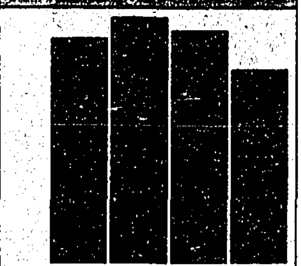
Capital Assets

The Company invested $148 million in new capital assets in 1983 compared with $167 million in 1982 and $126 million in 1981. During the past three years, the Company has financed approximately 83% of its investment in new capital assets from internally gen-

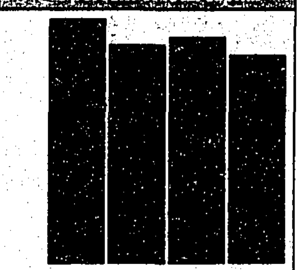
Return on U.S. Sales[1]
percentages



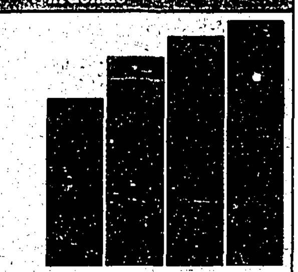
Return on Equity[1]
percentages



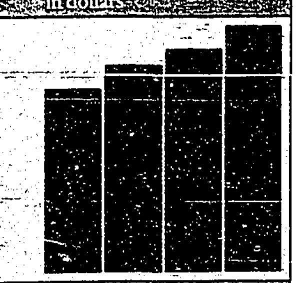
Long-Term Debt[3]
as percent of total capital



Dividends Declared Per Common Share
in dollars



Equity Per Common Share
in dollars



[1] Continuing operations
[2] Excludes gain on Aurrera stock sale
[3] Including real estate debt and capitalized leases

erated funds. In addition, in December 1982 the Company sold $50 million of ten-year 11½% Notes. As of 1983 year end, outstanding capital expenditure commitments related to stores under construction were less than $10 million.

The Company plans to invest $421 million in capital assets (including investments of the Company's Real Estate Affiliates described below) during the next three years, financed primarily by internally generated funds. This includes $136 million to be invested in 1984. The Company's forward investment plans and financial projections are made in three-year time frames. Individual capital expenditure decisions are based on conformity with such long-range plans, evaluation of business and investment opportunities and alternatives, and measurement against discounted cash flow standards designed to ensure that Company financial objectives are attained. Thereafter, actual unit performance is reviewed against the projections which were utilized in the analysis to support the expenditure decisions.

Debt Ratios

At January 28, 1984 the consolidated debt to total capital ratio was 35.3% compared with 38.0% at January 29, 1983 and 37.7% at January 30, 1982. Excluding the debt of the Real Estate Affiliates and the impact of capitalized leases, the debt to total capital ratio was 19.6% at January 28, 1984 compared with 23.3% at January 29, 1983 and 24.2% at January 30, 1982.

The Company expects that its long-term debt will not generally exceed 33⅓% of total capital, excluding Real Estate Affiliate debt and capitalized leases. If real estate debt and capitalized leases are included, long-term debt will ordinarily not exceed 45% of total capital.

Financing

The Company will continue to finance its growth with funds internally generated from earnings and depreciation, supplemented by periodic borrowings. Long-term debt will be employed as required and seasonal working capital needs will be met through bank credit lines and commercial paper, with the overall purpose being to minimize the cost of funds and retain access to a variety of funding sources.

It is the Company's policy to ensure that its fixed charges (interest on indebtedness and minimum rentals) are adequately covered by its earnings. To protect its flexibility and access to capital markets in the financing of future growth and to assure its ability to weather any periods of restricted credit, it is the Company's objective to maintain a level of fixed charge coverage as well as other financial standards adequate for an "A" credit rating for its long-term debt.

Lines of credit ($45,750,000 at January 28, 1984) and a revolving credit agreement ($39,750,000 at January 28, 1984) are maintained with commercial banks to ensure the availability of adequate funds to meet seasonal needs, to support the sale of commercial paper and to provide additional liquidity if needed. At January 28, 1984 no borrowings were outstanding under either the revolving credit agreement or open lines of credit.

For many years the Company has followed a practice of selective real estate ownership of stores and support facilities through Real Estate Affiliates using separate long-term financing. In these transactions, based upon a lease to Jewel Companies, Inc., individual affiliated real estate corporations borrow up to 99% of the cost of land and buildings; the loan is scheduled to be fully paid out of the rents received from Jewel during the fixed term of the lease, generally 20 years. This policy has resulted in the Company's ownership of a higher percentage of its retail properties than is usual in its sectors of retailing.

In general, the Company considers the ownership of real estate attractive because it allows maximum flexibility in the use of the property, results in lower financing costs, eliminates contingent rents and retains residual values. Although many retail sites are available only on a lease basis, the Company owns approximately 49% of the square footage that it utilizes.

Principles Applied in Consolidation
The consolidated financial statements include the accounts of Jewel Companies, Inc., its wholly-owned subsidiaries and its affiliated real estate corporations. All significant intercompany transactions are eliminated.

Inventories
Inventories are valued at the lower of cost or market. The last-in, first-out (LIFO) method is used to determine the cost for approximately 90% of inventories. Cost for the balance of the inventories is determined on a first-in, first-out (FIFO) or weighted average basis.

Investment in Aurrera, S.A. de C.V.
The Company's investment in Aurrera, S.A. de C.V. (Mexico), 36.1% owned, is carried at cost plus equity in undistributed earnings since its acquisition in 1969. All foreign currency translations since 1981 have been accounted for in accordance with Statement of Financial Accounting Standards No. 52.

Land, Buildings and Equipment
Land, buildings and equipment are stated at cost and include certain assets acquired through the use of long-term lease obligations. Depreciation is computed on the straight-line method for financial statement purposes and on accelerated methods for tax purposes. Leasehold improvements and capital leases are amortized over the shorter of estimated physical life or the term of the lease. Useful lives average 36 years for buildings, 15 years for leasehold improvements and assets under capital leases, 10 years for equipment and 3-6 years for transportation equipment.

The cost of land, buildings and equipment is eliminated from the accounts at the time assets are sold or retired. Differences between net book value and proceeds on normal equipment dispositions are recorded in the accumulated depreciation account. Gains and losses on the disposition of land and buildings are reflected in the statement of earnings.

Excess of Cost over Net Assets Acquired
The excess of cost over the fair value of net assets acquired is being amortized on the straight-line basis over forty years.

Income Taxes
The Company recognizes investment tax credits as a reduction of federal income tax expense in the year in which the related assets are placed into service.

Pre-opening Costs
Pre-opening costs are charged to expense as incurred.

Statements of Earnings

Jewel Companies, Inc.

(In thousands except per share data)	52 Weeks Ended Jan. 28, 1984	52 Weeks Ended Jan. 29, 1983	52 Weeks Ended Jan. 30, 1982
Sales	$5,723,522	$5,571,721	$5,107,614
Costs of Doing Business:			
Cost of goods sold	4,523,847	4,430,466	4,067,853
Selling, general and administrative expenses	1,044,334	1,002,017	919,914
	5,568,181	5,432,483	4,987,767
Operating Earnings	155,341	139,238	119,847
Gain on Sale of Aurrera Stock	—	—	27,285
Interest Income	5,000	4,101	4,377
Interest Expense:			
Jewel Companies, Inc.	(22,762)	(25,173)	(29,025)
Real estate affiliates	(14,563)	(12,682)	(10,996)
Earnings of U.S. Companies Before Income Taxes	123,016	105,484	111,488
Income Taxes	51,714	41,257	41,772
Earnings of U.S. Companies	71,302	64,227	69,716
Equity in Aurrera, S.A. de C.V.	11,751	23,882	31,954
Net Earnings	$ 83,053	$ 88,109	$ 101,670
Net Earnings Per Common Share:			
Primary	$ 6.36	$ 6.82	$ 8.03
Fully diluted	$ 5.71	$ 6.07	$ 7.03

Statements of Retained Earnings

(In thousands except per share data)	52 Weeks Ended Jan. 28, 1984	52 Weeks Ended Jan. 29, 1983	52 Weeks Ended Jan 30, 1982
Balance, Beginning of Year	$ 445,964	$ 395,554	$ 328,795
Net Earnings	83,053	88,109	101,670
Cash Dividends Declared:			
3¾% preferred stock—$3.75 per share	(3)	(4)	(10)
Series A preferred stock—$2.31 per share	(8,866)	(8,882)	(8,898)
Common stock—$2.60 in 1983; $2.48 in 1982; $2.24 in 1981	(30,379)	(28,813)	(26,003)
Balance, End of Year	$ 489,769	$ 445,964	$ 395,554

The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.

Jewel Companies, Inc.

(In thousands)	January 28, 1984	January 29, 1983
Assets		
Current Assets:		
Cash and short-term investments	$ 53,968	$ 38,722
Accounts receivable	59,501	54,538
Inventories	485,142	474,362
Prepaid expenses and other	26,339	23,572
Total current assets	624,950	591,194
Investment in Aurrera, S.A. de C.V.	60,413	58,052
Land, Buildings and Equipment, net:		
Jewel Companies, Inc.	590,832	567,400
Real estate affiliates	237,179	212,114
Total land, buildings and equipment	828,011	779,514
Notes Receivable from Exercise of Stock Options	8,624	8,185
Excess of Cost over Net Assets Acquired	17,874	18,431
Other Assets	22,323	19,429
	$1,562,195	$1,474,805
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	$ 226,200	$ 202,326
Payrolls and other accrued expenses	241,963	219,675
Income taxes payable	15,729	16,825
Current maturities of long-term debt:		
Jewel Companies, Inc.	15,484	11,371
Real estate affiliates	8,428	8,411
Total current liabilities	507,804	458,608
Long-Term Debt, less current maturities:		
Jewel Companies, Inc.	193,641	220,268
Real estate affiliates	114,323	133,289
Deferred Income Taxes	65,282	59,965
Other Deferred Liabilities	32,189	26,436
Shareholders' Equity:		
Preferred stock—3¾% cumulative $100 par value—authorized 10,500 shares, issued 10,500 shares at January 29, 1983	—	1,050
Series preferred stock—$1 par value—authorized 5,000,000 shares—issued and designated as series A $2.31 cumulative convertible preferred stock, 3,834,242 shares at January 28, 1984 and 3,842,806 shares at January 29, 1983	95,723	95,937
Common stock—$1 par value—authorized 50,000,000 shares, issued 11,721,148 shares at January 28, 1984 and 11,698,623 shares at January 29, 1983	84,178	85,387
Retained earnings	489,769	445,964
Foreign currency translation adjustment	(48,248)	(48,248)
Treasury stock, at cost	(2,466)	(3,851)
Total shareholders' equity	618,956	576,239
	$1,562,195	$1,474,805

The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.

Statements of Changes in Financial Position

Jewel Companies, Inc.

(In thousands)	52 Weeks Ended Jan. 28, 1984	52 Weeks Ended Jan. 29, 1983	52 Weeks Ended Jan. 30, 1982
Funds Provided by (Used for) Operating Transactions			
From Operations:			
Net earnings	$ 83,053	$ 88,109	$101,670
Charges and (credits) not affecting funds:			
Depreciation and amortization	89,717	79,194	72,920
Deferred taxes and other deferred liabilities	11,070	13,391	1,674
Undistributed equity in Aurrera, S.A. de C.V.	(3,568)	(18,870)	(22,331)
Total funds provided by operations	180,272	161,824	153,933
(Increase) Decrease in Working Capital:			
Accounts receivable	(4,963)	(2,420)	(10,113)
Inventories	(10,780)	(20,531)	(26,832)
Prepaid expenses and other	(2,767)	369	1,842
Accounts payable	23,874	7,460	25,690
Payrolls and other accrued expenses	22,288	20,997	17,229
Income taxes payable	(1,096)	10,940	396
Current maturities of long-term debt	4,130	4,574	599
Total change in working capital	30,686	21,389	8,811
New Land, Buildings and Equipment:			
Jewel Companies, Inc.	(113,875)	(139,599)	(108,459)
Real estate affiliates	(33,917)	(27,648)	(17,724)
Disposals of Land, Buildings and Equipment	10,064	10,185	4,846
Cost of Aurrera Stock Sold	—	—	9,715
Other	(2,055)	4,229	(15,315)
Net Funds Provided by Operating Transactions	71,175	30,380	35,807
Funds Provided by (Used for) Financial Transactions			
Dividends to Shareholders	(39,248)	(37,699)	(34,911)
Sale of Common Stock under Stock Option and Purchase Plans	3,433	1,220	6,727
Acquisition of Treasury Stock	(4,521)	(4,535)	(624)
Repayment of Long-Term Debt:			
Jewel Companies, Inc.	(28,043)	(7,943)	(25,911)
Real estate affiliates	(9,016)	(8,593)	(8,948)
Net Funds Used for Financial Transactions	(77,395)	(57,550)	(63,667)
Total Funds Used	$ (6,220)	$(27,170)	$(27,860)
Net Borrowings and Change in Cash			
Increase (Decrease) in Cash and Short-Term Investments	$ 15,246	$ 6,449	$ (5,713)
Increase in Long-Term Debt:			
Jewel Companies, Inc.	(1,416)	(12,515)	(11,082)
Real estate affiliates	(20,050)	(21,104)	(11,065)
Total Net Borrowings and Change in Cash	$ (6,220)	$(27,170)	$(27,860)

The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.

Foreign Currency Translation

During 1981 the Company changed its accounting for foreign currency translations in accordance with Statement of Financial Accounting Standards No. 52. At the time this Statement was adopted, the economy of Mexico was not considered to be highly inflationary, and pursuant to the requirements of FASB Statement No. 52 all foreign currency translation adjustments in 1981 and in the first quarter of 1982 were charged to shareholders' equity. Due to increasing inflation in Mexico during the second quarter of 1982, Jewel changed its translation procedures to account for Aurrera under the highly inflationary accounting rules of FASB No. 52, under which translation adjustments are included with current earnings.

Foreign currency translation adjustments charged to shareholders' equity prior to the adoption of the highly inflationary accounting rules were $14,240,000 as of February 1, 1981, $7,402,000 for fiscal year 1981 and $26,606,000 for the first quarter 1982. Since the second quarter 1982, foreign currency translation gains have been included with the Company's equity in the earnings of Aurrera. Translation gains for the last three quarters of 1982 were $2,137,000 and translation gains in 1983 were $865,000.

The Company's investment in Aurrera is supported both by the expected continued earnings stream and the underlying current value of Aurrera's net assets. Aurrera has no significant U.S. dollar denominated obligations. Although Mexico is experiencing economic difficulty, it does not appear that there has been any impairment of value.

Inventories

The carrying value of inventories stated at LIFO cost was approximately $63,605,000 and $55,150,000 less than the amount of such inventories stated at FIFO cost at January 28, 1984 and January 29, 1983, respectively.

Earnings on a FIFO basis, presented as supplementary information in order to provide a basis for comparison with companies using the FIFO method, would have been greater than reported net earnings by approximately $4,214,000 or $.36 per primary share for fiscal 1983, $7,213,000 or $.62 per primary share for fiscal 1982 and $9,609,000 or $.83 per primary share for fiscal 1981.

During 1983 certain inventory quantities were reduced resulting in a liquidation of lower cost LIFO inventory quantities. This increased net earnings $1,350,000 or $.12 per primary share.

Land, Buildings and Equipment

The Company's investment in land, buildings and equipment consists of the following:

	January 28, 1984		January 29, 1983	
(In thousands)	Jewel Cos., Inc.	Real Estate Affiliates	Jewel Cos., Inc.	Real Estate Affiliates
Buildings	$ 97,156	$226,670	$ 97,807	$205,437
Less allowance for depreciation	36,029	63,823	33,402	58,108
	61,127	162,847	64,405	147,329
Equipment and leasehold improvements	869,515		794,206	
Less allowance for depreciation and amortization	437,563		392,806	
	431,952		401,400	
Leased assets under capital leases	65,324		65,048	
Less allowance for amortization	27,147		23,733	
	38,177		41,315	
Land	59,576	74,332	60,280	64,785
Total land, buildings and equipment	$590,832	$237,179	$567,400	$212,114

Short-Term and Long-Term Debt

Debt shown in the statements of financial position consists of the following:

(In thousands)	Jan. 28, 1984	Jan. 29, 1983
Jewel Companies, Inc.:		
Notes, 14.44% average rate	$ —	$ 12,265
Notes, 11½%, due 1992	50,000	50,000
Commercial Banks, 4.50%, due in annual installments of $1,250 through 1987	5,000	6,250
Industrial Revenue Bonds, 12.08% average rate, due through 2002	10,285	10,635
Insurance Companies:		
6.875%, due in annual installments of $1,500 through 1993	15,000	16,500
7.875%, due in annual installments of $1,500 through 1994	16,500	18,000
8.25%, due in semiannual installments of $1,500 through 1997 with the balance due in 1997	47,000	50,000
10%, due in annual installments of $3,500 in 1984 and 1985	7,000	7,000
Mortgages, 8.90% average rate, due through 2002	11,740	12,101
Capital Lease Obligations, 10.70% and 10.43% average rate, due through 2002	46,108	48,151
All Other, 7.90% and 7.14% average rate, due through 1997	492	737
Total	$209,125	$231,639
Classified as follows:		
Current maturities	$ 15,484	$ 11,371
Long-term debt	193,641	220,268
Total	$209,125	$231,639
Real Estate Affiliates, mortgages, 10.63% and 9.93% average rate, due through 2005:		
Current maturities	$ 8,428	$ 8,411
Long-term debt	144,323	133,289
Total	$152,751	$141,700

Long-term debt matures as follows:

	January 28, 1984	
(In thousands)	Jewel Cos., Inc.	Real Estate Affiliates
1985	$ 15,356	$ 8,813
1986	11,445	8,933
1987	11,210	9,111
1988	10,210	9,910
Thereafter	145,420	107,556
Total	$193,641	$144,323

At January 28, 1984 the Company maintained bank credit lines totaling $85,500,000, of which $39,750,000 was a revolving credit and term loan agreement. The revolving credit and term loan agreement was entered into on April 30, 1982 with ten major banks. The original amount of the commitment under the agreement was $106,000,000 and during 1983 the amount was reduced in two stages to $39,750,000. The agreement provides for a commitment fee of ¼% per annum on the revolving credit commitment amount and for several interest rate options, including a floating prime rate, on any amounts borrowed. On or before April 30, 1986 the Company may convert all, or any part of, the outstanding balance into a term loan payable in 12 quarterly installments. At January 28, 1984 and January 29, 1983, no borrowings were outstanding under this agreement.

Other lines of credit, which totaled $45,750,000 at January 28, 1984 and $46,000,000 at January 29, 1983, are supported by cash balances which are largely generated from the normal time lag in presentation of Company checks for payment. The arrangements with the banks are informal in nature and do not restrict the availability of such supporting funds in meeting the Company's daily cash requirements. A portion of the bank lines are supported by the payment of fees in lieu of balances.

The maximum amount of short-term borrowings outstanding during 1983 was $31,000,000 and averaged $9,592,000 on a daily basis. The average interest rate on these borrowings was 9.10%. For fiscal year 1982, the maximum amount outstanding was $138,000,000 and averaged $77,000,000 on a daily basis. The average interest rate on these borrowings was 11.95%.

The Company's loan agreements provide restrictions as to the maintenance of working capital (as defined) and payment of cash dividends on common stock. As of January 28, 1984, working capital was $39,000,000 in excess of minimum requirements and retained earnings not restricted for payment of cash dividends were $92,000,000.

The long-term debt of the real estate affiliates is not a direct obligation of Jewel Companies, Inc. but is secured by the assignment of lease agreements between Jewel and the affiliates and first liens against real properties having a book value of approximately $237,000,000 at January 28, 1984, as compared to $212,000,000 at January 29, 1983. The debt will be fully paid during the fixed term of each lease, generally 20 years.

Income Taxes

The provision for income taxes consists of the following:

(In thousands)	1983	1982	1981
Federal:			
Current	$27,906	$34,654	$42,972
Deferred	23,658	10,380	(371)
Tax credits	(9,350)	(11,650)	(10,425)
Total federal income taxes	42,214	33,384	32,176
State and Local:			
Current	5,509	6,830	9,195
Deferred	3,991	1,043	401
Total state and local income taxes	9,500	7,873	9,596
Total income taxes	$51,714	$41,257	$41,772

Deferred income taxes result from timing differences in the recognition of certain income and expense items for tax and financial statement purposes. The provision for deferred federal income taxes consists of the following:

(In thousands)	1983	1982	1981
Depreciation	$ 9,044	$11,156	$ 3,836
Self insurance	22,258	(2,019)	(1,015)
Other	(7,644)	1,243	(3,192)
Total	$23,658	$10,380	$ (371)

A reconciliation of the federal statutory tax rate with the effective tax rate follows:

	1983	1982	1981
Statutory tax rate	46.0%	46.0%	46.0%
State income taxes, net of federal income tax benefit	4.2	4.0	4.7
Tax credits	(7.6)	(11.0)	(9.5)
Effect of Aurrera stock sale	—	—	(3.7)
Other	(.6)	.1	—
Effective tax rate on U.S. earnings	42.0	39.1	37.5
Effect of foreign earnings	(3.6)	(7.2)	(8.4)
Effective tax rate on consolidated net earnings	38.4%	31.9%	29.1%

No provision has been made for U.S. income taxes on foreign earnings because any income tax payable would be substantially offset by foreign tax credits.

Capital Stock

Common stock transactions were as follows:

(Dollars in thousands)	Shares	Amount
Issued at January 31, 1981	11,678,441	$85,992
Cost of treasury shares sold over proceeds from stock option and stock purchase plans	—	(2,064)
Conversion of Series A convertible preferred stock	8,295	291
Gain on retirement of 3¼% preferred stock	—	166
Income tax benefit attributable to stock options	—	1,468
Issued at January 30, 1982	11,686,736	85,853
Issued for stock option and stock purchase plans	6,933	198
Cost of treasury shares sold over proceeds from stock option and stock purchase plans	—	(1,080)
Conversion of Series A convertible preferred stock	4,954	174
Income tax benefit attributable to stock options	—	242
Issued at January 29, 1983	11,698,623	85,387
Issued for stock option and stock purchase plans	16,661	459
Cost of treasury shares sold over proceeds from stock option and stock purchase plans	—	(2,757)
Conversion of Series A convertible preferred stock	5,864	205
Gain on redemption of 3¼% preferred stock	—	135
Income tax benefit attributable to stock options	—	749
Issued at January 28, 1984	11,721,148	$84,178

Treasury stock transactions were as follows:

	Common Stock		3¼% Preferred	
(Dollars in thousands)	Shares	Amount	Shares	Amount
Balance at January 31, 1981	267,672	$7,591	8,483	$627
Purchases	—	—	7,045	624
Retired	—	—	(6,000)	(434)
Sold under stock option and stock purchase plans	(258,038)	(7,232)	—	—
Balance at January 30, 1982	9,634	359	9,528	817
Purchases	132,510	4,532	37	3
Sold under stock option and stock purchase plans	(77,127)	(1,860)	—	—
Balance at January 29, 1983	65,017	3,031	9,565	820
Purchases	88,300	4,426	935	95
Redeemed	—	—	(10,500)	(915)
Sold under stock option and stock purchase plans	(104,027)	(4,991)	—	—
Balance at January 28, 1984	49,290	$2,466	—	$ —

The series preferred stock is issuable in series within the limits provided in the Certificate of Incorporation with such terms and conditions as the Board of Directors may designate.

The Series A $2.31 cumulative convertible preferred stock has a liquidation preference of $25 per share and is entitled to .713 of a vote per share. The shares are convertible into .713 of a share of common stock and are callable at the option of the Company on November 6, 1990 at $26 per share and after that at prices declining to $25 on November 6, 1994 and thereafter. During 1983 and 1982, 8,564 and 6,955 shares, respectively, were converted into common stock.

Capital Stock
Continued

Common stock reserved was as follows:

	Jan. 28, 1984	Jan. 29, 1983
Stock option plan	797,724	942,289
Long-term performance plan	300,000	—
Employee stock purchase plan	327,496	354,314
Automatic dividend reinvestment and stock purchase plan	19,525	28,514
Conversion of Series A preferred stock	2,734,067	2,739,931
Total common stock reserved	4,178,812	4,065,048

The following summary shows the changes in stock options:

	1983	1982
Options outstanding, beginning of year	586,810	587,783
Granted	69,000	168,000
Exercised	(144,565)	(161,973)
Expired	(3,500)	(7,000)
Options outstanding, end of year	507,745	586,810

	Jan. 28, 1984	Jan. 29, 1983
Options exercisable	438,745	418,810
Shares available for grant	289,979	355,479

Outstanding options were granted at prices ranging from $18.125 to $49.75 per share, the fair market value on the date of grant. Stock options become exercisable one year from the date of grant and expire in ten years. Under the stock option plan, the Company may make loans to officers and key employees for the purpose of financing the exercise of stock options. The minimum interest rate on these loans for calendar year 1984 will be 5.22%, which is equal to the ratio of dividends paid to the average market price for the Company's common stock during the twelve month period ended November 30, 1983.

Under the Company's long-term performance plan adopted effective January 30, 1983, performance shares can be awarded to key employees based upon achievement of certain long-term performance goals. Each performance share represents a conditional right to receive at the time of distribution a share of Jewel common stock plus dividend equivalents, as adjusted, accruing from the effective date of the award. The awards are generally distributable upon retirement, disability, death or change in control of the Company.

Under the Company's Automatic Dividend Reinvestment and Stock Purchase Plan for common stock, shareholders of record may purchase newly issued or treasury shares of common stock by reinvesting dividends and making optional cash investments without payment of any brokerage commission or service charge.

Lease Commitments

The Company leases certain of its retail and other locations under firm-term lease arrangements ranging from 5 to 25 years (principally 15 years for retail locations), plus various renewal options. In addition, the Company has an insignificant number of personal property leases (primarily transportation, warehouse handling and data processing equipment) expiring at various dates during the next four years.

As of January 28, 1984 minimum rentals on all non-cancellable leases for real properties under operating leases were as follows:

(In thousands)	Minimum Payments	Sublease Income	Net
1984	$ 51,473	$ 5,737	$ 45,736
1985	47,757	5,011	42,746
1986	44,140	4,351	39,789
1987	40,837	3,654	37,183
1988	37,219	3,035	34,184
Thereafter	280,308	11,416	268,892
Total	$501,734	$33,204	$468,530

Rental expense for operating leases for the past three years was as follows:

(In thousands)	1983	1982	1981
Real estate:			
Minimum rentals	$52,081	$50,095	$44,651
Contingent rentals (based on sales)	9,232	8,123	7,863
Sublease income	(7,604)	(6,904)	(4,381)
	53,709	51,314	48,133
Personal property	7,651	7,115	6,840
Total	$61,360	$58,429	$54,973

Contingent Liabilities—Litigation

As of January 28, 1984 the Company was subject to claims and lawsuits arising in the course of its business, including various actions for damages and other relief. Although management cannot now predict the outcome of these actions, it believes that the Company has good and meritorious defenses to each action, and that their outcome will not materially affect the Company's financial position.

Profit Sharing and Retirement Costs

A majority of the Company's employees who meet service requirements are covered by profit sharing plans under which the Company makes annual contributions, determined by a formula related to earnings, to provide retirement benefits. These funds are held in trust apart from Company funds. Retirement benefits are based on each participant's share of the trust funds. There are no unfunded past service liabilities under these plans. The Company also makes payments to multiemployer pension plans as required by collective bargaining agreements covering some employees; under the Multiemployer Pension Plan Amendments Act of 1980 ("MEPPA"), the Company may be or may become subject to liabilities in excess of those payments in the event of the termination of or its withdrawal or partial withdrawal from multiemployer plans, to be determined as a proportional share of the liabilities, if any, of each such plan for unfunded, vested benefits. The amount of this potential liability under MEPPA is not determinable at the present time.

Sale of Subsidiary

During the second quarter of 1983, the Company sold its Mass Feeding Corporation subsidiary. The sale resulted in a pre-tax gain of $4,800,000 and has been included in operating earnings.

Sale of Aurrera Stock

During the second quarter of 1981, the Company sold 20 million shares of the stock of Aurrera, S.A. de C.V., in which the Company had a 41.7% equity investment as of January 31, 1981, thus reducing its equity investment position to 36.1%. The sale resulted in a net gain of $17,650,000 or $1.53 per Jewel common share ($1.22 fully diluted).

Business Segments

The Company is a diversified retailer engaged primarily in the retail sale of food, drugs and general merchandise. The Company is engaged in the drug store business under the Osco Drug and Sav-On-Drugs trade names and in the supermarket business under the Buttrey, Eisner, Jewel and Star trade names. Other operations include White Hen Pantry (convenience stores), Park Corporation (manufacturing operations) and Jewel T (limited-line discount grocery stores). "Unallocated" items consist principally of general corporate expenses and miscellaneous income.

In computing earnings before income taxes, the gain on the sale of Aurrera stock in 1981 and the Company's earnings from its equity investment in Aurrera, S.A. de C.V. have not been included. Interest expense has been allocated based upon net-owned assets.

Identifiable assets are those assets associated with a particular segment either by direct use or by allocation when used by two or more segments. Unallocated assets include short-term investments and certain land, buildings and equipment.

(In thousands)	1983	1982	1981
Sales:			
Drug stores	$1,848,880	$1,668,562	$1,455,147
Supermarkets	3,538,826	3,487,870	3,242,906
Other operations	335,816	415,289	409,561
Total	$5,723,522	$5,571,721	$5,107,614
Earnings Before Income Taxes:*			
Drug stores	$ 61,917	$ 60,924	$ 45,462
Supermarkets	59,828	46,652	46,278
Other operations	4,353	6,502	1,987
Unallocated—net	(3,082)	(8,594)	(9,524)
Total	*$ 123,016*	*$ 105,484*	*$ 84,203*
Identifiable Assets:			
Drug stores	$ 606,327	$ 539,135	$ 474,521
Supermarkets	724,121	700,188	657,199
Other operations	62,358	79,758	92,213
Investment in Aurrera	60,413	58,052	67,287
Unallocated	108,976	97,672	88,651
Total	$1,562,195	$1,474,805	$1,379,871
Capital Expenditures:			
Drug stores	$ 59,683	$ 62,721	$ 40,625
Supermarkets	73,990	82,370	67,788
Other operations	8,415	8,024	10,769
Unallocated	5,704	14,132	7,001
Total	$ 147,792	$ 167,247	$ 126,183
Depreciation and Amortization Expense:			
Drug stores	$ 22,076	$ 18,768	$ 16,731
Supermarkets	52,730	47,213	43,821
Other operations	5,438	6,041	6,424
Unallocated	9,473	7,172	5,944
Total	$ 89,717	$ 79,194	$ 72,920

*Excludes $27,285 gain on sale of Aurrera stock in 1981.

Using the FIFO method of accounting for inventories, earnings before income taxes, by segment, would have been greater than reported earnings as follows:

(In thousands)	1983	1982	1981
Drug stores	$ 5,570	$ 10,271	$ 12,318
Supermarkets	2,549	3,599	5,772
Other operations	336	545	1,103
Total	$ 8,455	$ 14,415	$ 19,193

Costs and Expenses

Set forth below is a comparative summary of significant costs and expenses:

(In thousands)	1983	1982	1981
Depreciation and Amortization—			
Jewel Companies, Inc.:			
Buildings	$ 3,679	$ 3,143	$ 3,103
Equipment and leasehold improvements	74,614	66,085	60,991
Capital leases	4,422	3,610	3,033
	82,715	72,838	67,127
Real estate affiliates:			
Buildings	7,002	6,356	5,793
Total	$89,717	$79,194	$72,920

(In thousands)	1983	1982	1981
Taxes, Other than Payroll and Income:			
Property	$24,083	$20,530	$18,396
Other	3,812	2,973	2,626
Total	$27,895	$23,503	$21,022
Advertising	$68,465	$64,660	$59,861
Retirement Benefit Plans:			
Profit sharing plans	$29,841	$26,582	$22,290
Contingent compensation	1,529	1,906	1,668
Industry and other pension plans	9,584	11,013	10,706
Total	$40,954	$39,501	$34,664

Earnings Per Common Share

Earnings per common share is computed by dividing net earnings, after deducting preferred stock dividend requirements, by the weighted average number of common shares outstanding. Fully diluted net earnings per share assumes conversion of the Series A cumulative convertible preferred stock and the exercise of dilutive outstanding stock options. The Series A preferred dividend requirement is not deducted from net earnings in computing fully diluted net earnings per share.

The computation of primary and fully diluted earnings per share follows:

(In thousands except per share data)	1983	1982	1981
Primary Earnings Per Share			
Net earnings	$83,053	$88,109	$101,670
Less: Preferred dividend requirements for 3¾% cumulative preferred stock and Series A preferred stock	8,869	8,886	8,908
Net earnings applicable to common stock	$74,184	$79,223	$ 92,762
Average common shares outstanding	11,672	11,624	11,554
Primary earnings per share	$ 6.36	$ 6.82	$ 8.03
Fully Diluted Earnings Per Share			
Net earnings	$83,053	$88,109	$101,670
Less: Preferred dividend requirements for 3¾% cumulative preferred stock	3	4	10
Net earnings applicable to common stock	$83,050	$88,105	$101,660
Average common shares outstanding	11,672	11,624	11,554
Additional shares outstanding after application of treasury stock method:			
Stock option plan	124	128	161
Employee stock purchase plan	7	11	5
Conversion of Series A preferred stock	2,736	2,742	2,746
Average common shares outstanding assuming full dilution	14,539	14,505	14,466
Fully diluted earnings per share	$ 5.71	$ 6.07	$ 7.03

Information on Effects of Changing Prices
(Unaudited)

In an attempt to measure the effects of inflation on financial statements, the Financial Accounting Standards Board issued Statement No. 33—Financial Reporting and Changing Prices, which requires the disclosure of the effects of changing prices on historical cost financial statements. Two different methods were prescribed by the FASB for measuring the effects of changing prices.

The first method, or constant dollar method, provides data adjusted for "general inflation" using the Consumer Price Index for all Urban Consumers as the broad-based measure of the general inflation rate. The objective of this approach is to provide financial information in dollars of equivalent value or purchasing power (constant dollars). The second method, or current value method, adjusts for "changes in specific prices". The objective of this method is to reflect the current cost of the resources actually used in a company's operations rather than the historical cost amounts actually expended to acquire the resources.

The accompanying supplemental information regarding Jewel's operations should be used with care. Both the constant dollar and current value methods involve the use of assumptions, estimates and subjective judgments and, therefore, the data presented does not have the precision or verifiability of data prepared in accordance with traditional accounting practices. For the same reason, the data may not be comparable with that presented by other companies, even within the same industry. Management does not believe that the constant dollar restatement of Jewel's financial results properly reflects the effect of inflation on the Company's operations. Further, the restated net assets should not be interpreted as a measure of the current value of the Company's resources.

Statements of Earnings (Unaudited)
Adjusted for Effects of Changing Prices

	52 Weeks Ended January 28, 1984		
(In thousands)	As Reported in the Primary Financial Statements	Adjusted for General Inflation	Adjusted for Specific Price Changes
Sales	$5,723,522	$5,723,522	$5,723,522
Costs of Doing Business:			
Cost of goods sold	4,501,418	4,513,418	4,505,418
Depreciation and amortization	89,717	128,444	124,460
Selling, general and administrative expenses	977,046	977,046	977,046
	5,568,181	5,618,908	5,606,924
Operating Earnings	155,341	104,614	116,598
Net Interest Expense	32,325	32,325	32,325
Earnings of U.S. Companies Before Income Taxes	123,016	72,289	84,273
Income Taxes	51,714	51,714	51,714
Earnings of U.S. Companies	71,302	20,575	32,559
Equity in Aurrera, S.A. de C.V.	11,751	11,751	11,751
Net Earnings	$ 83,053	$ 32,326	$ 44,310
Purchasing Power Gain From Holding Net Monetary Liabilities During the Year		$ 33,000	$ 33,000
Increase in General Price Level of Inventories and Net Land, Buildings and Equipment Held During the Year			$ 64,000
Effect of Increase in Specific Prices*			45,000
Excess of Increase in the General Price Level Over Increases in Specific Prices			$ 19,000

**At January 28, 1984 current cost of inventory was $553,000 and current cost of land, buildings and equipment net of accumulated depreciation was $1,171,000.*

Information on Effects of Changing Prices *(Unaudited)* *Continued*

Five Year Comparison of Selected Supplementary Financial Data (Unaudited)
Adjusted for Effects of Changing Prices

(In thousands except per share data)	1983	1982	1981	1980	1979
Sales (includes Sav-On since 11/6/80):					
As reported	$5,723,522	$5,571,721	$5,107,614	$4,267,922	$3,684,929
Adjusted for general inflation	5,723,522	5,752,322	5,577,023	5,129,730	5,014,853
Earnings (Loss) from Continuing Operations:					
As reported	$ 83,053	$ 88,109	$ 101,670	$ 63,864	$ 48,590
Adjusted for general inflation	32,326	45,578	53,142	8,250	(18,240)
Adjusted for specific price changes	44,310	51,587	74,981	35,893	802
Primary Earnings (Loss) Per Share from Continuing Operations:					
As reported	$ 6.36	$ 6.82	$ 8.03	$ 5.46	$ 4.36
Adjusted for general inflation	2.01	3.13	3.76	.53	(1.63)
Adjusted for specific price changes	3.04	3.64	5.65	2.97	.06
Purchasing Power Gain from Holding Net Monetary Liabilities During the Year	$ 33,000	$ 29,000	$ 64,000	$ 83,000	$ 96,000
Net Assets at Year End:					
As reported	$ 618,956	$ 576,239	$ 555,750	$ 504,530	$ 371,842
Adjusted for general inflation	1,021,000	1,001,000	1,004,000	965,000	872,000
Adjusted for specific price changes	1,018,000	1,011,000	997,000	963,000	878,000
Cash Dividends Declared Per Common Share:					
As reported	$ 2.60	$ 2.48	$ 2.24	$ 1.92	$ 1.68
Adjusted for general inflation	2.60	2.56	2.45	2.31	2.28
Market Price Per Common Share at Year End:					
Historical amount	$ 45.88	$ 43.50	$ 33.63	$ 35.50	$ 28.63
Adjusted for general inflation	45.00	44.44	35.64	40.80	36.75
Average Consumer Price Index (1967 = 100.0)	299.4	290.0	274.2	249.1	220.0

Quarterly Data *(Unaudited)*

	Quarter				
(In thousands except per share data)	First (12 Weeks)	Second (16 Weeks)	Third (12 Weeks)	Fourth (12 Weeks)	Total Year
1983					
Sales	$1,273,477	$1,711,554	$1,284,160	$1,454,331	$5,723,522
Gross profit	261,172	361,579	264,012	312,912	1,199,675
Net earnings	14,363	24,783	13,770	30,137	83,053
Primary earnings per share	$ 1.06	$ 1.89	$ 1.00	$ 2.41	$ 6.36
Fully diluted earnings per share	$ .99	$ 1.70	$ .95	$ 2.07	$ 5.71
Dividends declared per common share	$ .65	$ .65	$ .65	$ .65	$ 2.60
Common stock price (Composite tape):					
High	$ 48¼	$ 54⅝	$ 53¼	$ 51⅛	$ 54⅝
Low	$ 41¼	$ 45⅛	$ 47½	$ 45⅝	$ 41¼
1982					
Sales	$1,241,045	$1,687,366	$1,250,713	$1,392,597	$5,571,721
Gross profit	246,550	348,920	246,513	299,272	1,141,255
Net earnings	16,838	25,416	15,900	29,955	88,109
Primary earnings per share	$ 1.26	$ 1.95	$ 1.20	$ 2.41	$ 6.82
Fully diluted earnings per share	$ 1.16	$ 1.76	$ 1.08	$ 2.07	$ 6.07
Dividends declared per common share	$ .62	$ .62	$ .62	$ .62	$ 2.48
Common stock price (Composite tape):					
High	$ 34	$ 36⅞	$ 48¾	$ 50	$ 50
Low	$ 28¾	$ 31	$ 32⅜	$ 41⅜	$ 28¾

Condensed Financial Statements— Aurrera, S.A. de C.V.
(Unaudited)

The Company had a 36.1% investment in Aurrera, S.A. de C.V. as of January 28, 1984 and January 29, 1983 that was accounted for by the equity method. The fiscal year of Aurrera ends on June 30 whereas the Company's fifty-two week fiscal year ends on or about January 31. In 1983 Aurrera changed its fiscal year end from July 31 to June 30. However, the Company determines its equity in the net earnings of Aurrera based on financial statements of Aurrera at December 31. The financial statements of Aurrera at December 31, 1983, 1982 and 1981 are based upon audited financial statements examined by a major international public accounting firm as of the end of Aurrera's fiscal years, and unaudited financial statements for the periods from the end of Aurrera's fiscal year to December 31. Following is a condensed summary of Aurrera's translated financial statements adjusted to reflect U.S. accounting principles:

Statements of Financial Position

(In thousands)	December 31, 1983	December 31, 1982
Aurrera, S.A. de C.V. and Subsidiaries		
Current and other assets	$138,768	$113,966
Properties, net	136,706	141,235
Total assets	275,474	255,201
Current liabilities	124,680	110,576
Long-term debt	—	365
Net assets	$150,794	$144,260
Reconciliation to Jewel's Investment		
Equity in net assets	$ 54,492	$ 52,131
Reorganization adjustments not recognized by Jewel	(4,957)	(4,957)
Excess of cost over acquired net assets	10,878	10,878
Carrying value of investment	$ 60,413	$ 58,052

Statements of Earnings

(In thousands)	Year Ended December 31, 1983	Year Ended December 31, 1982	Year Ended December 31, 1981
Aurrera, S.A. de C.V. and Subsidiaries			
Sales*	$610,303	$865,726	$1,367,202
Earnings before statutory profit sharing and income taxes	66,604	118,223	150,398
Statutory profit sharing and income taxes	(35,671)	(48,834)	(58,766)
Net earnings	$ 30,933	$ 69,389	$ 91,632
Jewel's Foreign Earnings			
Equity in net earnings	$ 11,178	$ 25,075	$ 34,953
Dividend withholding tax provided	573	(1,193)	(2,999)
Equity in Aurrera, S.A. de C.V.	$ 11,751	$ 23,882	$ 31,954

**Sales in pesos increased 72.1%, 61.6% and 49.4% in 1983, 1982 and 1981, respectively.*

Five Year Summary of Selected Financial Data†

Jewel Companies, Inc.

(In thousands except per share data)	1983	1982	1981**	1980	1979
Operating Results*					
Sales	$5,723,522	$5,571,721	$5,107,614	$4,267,922	$3,684,929
Earnings of U.S. companies from continuing operations	$ 71,302	$ 64,227	$ 69,716	$ 39,448	$ 34,047
Equity in Aurrera, S.A. de C.V.	11,751	23,882	31,954	24,416	14,543
Earnings from continuing operations	$ 83,053	$ 88,109	$ 101,670	$ 63,864	$ 48,590
U.S. earnings from continuing operations as a percent of sales	1.25%	1.15%	1.02%††	.92%	.92%
Earnings from continuing operations as a percent of shareholders' average equity	13.9%	15.6%	16.1%††	15.2%	13.7%
Per Share Results					
Earnings from continuing operations:					
Primary	$ 6.36	$ 6.82	$ 8.03	$ 5.46	$ 4.36
Fully diluted	$ 5.71	$ 6.07	$ 7.03	$ 5.25	$ 4.28
Dividends declared per common share	$ 2.60	$ 2.48	$ 2.24	$ 1.92	$ 1.68
Percent of primary earnings	41%	36%	34%††	35%	39%
Equity per common share	$ 44.83	$ 41.28	$ 39.35	$ 35.70	$ 33.17
Financial Position					
Working capital	$ 117,146	$ 132,586	$ 147,526	$ 162,050	$ 115,210
Current ratio	1.2	1.3	1.4	1.4	1.4
Total assets	1,562,195	1,474,805	1,379,871	1,295,775	1,009,462
Long-term debt, less current maturities:					
Jewel Companies, Inc.	193,641	220,268	215,696	230,525	159,624
Real estate affiliates	144,323	133,289	120,778	118,661	123,450
Long-term debt as a percent of total capital	35.3%	38.0%	37.7%	40.9%	43.2%
Common shareholders' equity	523,233	480,209	459,542	407,417	370,973
Other Statistical Data					
Employees (full-time equivalents)	36.6	37.5	36.9	37.2	31.4
Square footage of retail stores:					
Combination food/drug stores	7,129	5,789	4,355	3,496	2,877
Drug stores (excluding combination stores)	8,108	7,972	7,897	7,778	3,612
Supermarkets (excluding combination stores)	5,772	6,900	7,637	8,020	8,717
Other	2,073	2,094	2,507	2,288	2,014
Total at year end	23,082	22,755	22,396	21,582	17,220

*In 1980, the Company adopted the last-in, first-out (LIFO) method of inventory valuation. Earnings from continuing operations on a FIFO basis, presented as supplementary information in order to provide a basis for comparison with prior years and with companies using the FIFO method, would have been greater than reported earnings from continuing operations by $4,214 ($.36 per share) in 1983, $7,213 ($.62 per share) in 1982, $9,609 ($.83 per share) in 1981 and $10,792 ($.96 per share) in 1980. 1979 was reported on the FIFO basis.

†Includes Sav-On since its acquisition on November 6, 1980.

**Includes $17,650 or $1.53 per share ($1.22 fully diluted) gain on the sale of Aurrera stock.

††Excludes gain on sale of Aurrera stock.

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Attorney

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